CHARTA LEARNING · LESSON NOTES

Goals, family risks, tax and liquidity

Private Wealth

1 A story: one pot, many wishes

- Daniel 46, Priya 44, children Leo and Esi
- One pot of 1,200,000 and a long wish list
- Retirement in 10 years, fees in 5, a lake house in 12
- Price each goal, give it a pot, see what is left

IN THE LESSON

- Daniel is an engineer at Brightwell Systems, and Priya is a teacher.
- They sit down with Marta Quinn holding one pot of money and a long list of wishes.
- They want a comfortable retirement in ten years, university fees for Leo and Esi, and a lake house.
- Is the pot big enough?
- Nobody can tell from the total alone, because the wishes are not equal.
- Missing the retirement income would hurt badly.
- Missing the lake house would only disappoint.
- A goal based plan answers the question one goal at a time.
- It prices each goal, gives each its own pot, and whatever is left over is the family's freedom to spend or to risk.

2 Ranking the Ashbys' goals

Goal, importance, chance needed

Goal	Importance and chance needed
Income 45,000 a year, 25 years, from year 10	Essential: very high
University fees 150,000 in year 5	Important: high
Lake house 400,000 in year 12	Aspirational: lower

IN THE LESSON

- Marta starts by writing the wishes down and ranking them.
- Importance runs from essential needs, which the family cannot do without, through important goals, to aspirational wishes, which would be lovely but are not vital.
- Next comes the time horizon, which is how many years until the money is needed.
- Last is the chance of success the family requires.
- That chance is the big idea.
- An essential goal needs a very high chance, so it is funded with safe assets.
- A wish can live with a lower chance, so it can use riskier ones.
- Here, retirement income of forty five thousand a year for twenty five years is essential.
- Fees of one hundred and fifty thousand in year five are important.
- The lake house, four hundred thousand in year twelve, is a wish.

3 From wish list to plan

Define the problem

List the goals → Rank, set horizons → Cost each goal today

Build the answer

One pot per goal → Surplus or shortfall → Fix any shortfall

IN THE LESSON

- Here is the whole method as a picture, in the order Marta works.
- The top row defines the problem.
- First list the goals.
- Then rank them and fix each horizon.
- Then cost every goal in today's money, at a discount rate that fits the chance of success it needs.
- The bottom row builds the answer.
- Each goal gets its own pot, a sub portfolio, with safe assets behind the essential goals and riskier assets behind the wishes.
- Then Marta compares the pots with the family's wealth.
- What is left over is a discretionary surplus.
- If the pots cost more than the family owns, there is a shortfall, and the last box is the work of fixing it.

4 Costing a goal in today's money

Cost today = Goal ÷ (1 + r)^n

Cost today	What must be set aside today
Goal amount	Amount needed on the goal date
Matched rate	Rate matched to the chance needed
Years to the goal	Years until the money is spent

IN THE LESSON

- To cost a single goal, you discount it back to today.
- You met this at Level One.
- Take the amount the goal needs, and divide it by one plus the discount rate, raised to the number of years.
- The clever part is the rate.
- At Level Three the rate is not simply what the portfolio earns.
- It is chosen to match the chance of success the goal needs.
- A goal that must be met almost for certain is discounted at a low rate, close to what safe assets earn, which makes it cost more today.
- A wish is discounted at a higher rate, which makes it cost less.
- Use rates after tax, because the family spends after tax money.

5 Example 1: costing the three goals

Pot 1,200k; 25 payments; rates 2%, 4%, 7% after tax

Income stream at year 10	45,000 × 19.5235	**879k**
Income cost today	879k ÷ 1.02^10	**721k**
Fees cost today	150,000 ÷ 1.04^5	**123k**
Lake house cost today	400,000 ÷ 1.07^12	**178k**
Total 1,022k; surplus	1,200k − 1,022k	**178k**

IN THE LESSON

- Marta picks illustrative after tax rates: two per cent for the essential goal, four for the fees and seven for the lake house.
- Retirement income is twenty five payments of forty five thousand.
- At two per cent the annuity factor is nineteen point five two three five, so the stream is worth about eight hundred and seventy nine thousand when retirement starts.
- That is ten years away, so we divide by one point oh two to the tenth, giving seven hundred and twenty one thousand today.
- The fees cost one hundred and twenty three thousand today.
- The lake house costs one hundred and seventy eight thousand.
- Together the goals cost one million and twenty two thousand, so from a pot of one million two hundred thousand, the surplus is one hundred and seventy eight thousand.
- That is the freedom the plan leaves the family.

6 Where the Ashbys' pot goes

Today's money (thousands)

Retirement income	**721**
University fees	**123**
Lake house	**178**
Surplus	**178**

Pot: 1,200k

IN THE LESSON

- Here are those answers as bars.
- The vertical axis is today's money, in thousands.
- Each bar is a pot, and together they make up the whole pot of one million two hundred thousand.
- The tallest bar is retirement income, at seven hundred and twenty one thousand.
- It sits in low risk assets, because the family cannot afford to miss it.
- The next bar is the fees pot, at one hundred and twenty three thousand, in assets that are safe enough to be there in five years.
- The lake house pot is one hundred and seventy eight thousand, and it can carry more risk.
- The last bar, also one hundred and seventy eight thousand, is the surplus, which the family may spend or invest boldly.

7 Example 2: a shortfall and the fixes

Pot only 950k; goals cost 1,022k

Shortfall	1,022k − 950k	**72k**
Trim house to 300k	its cost falls 178k to 133k	**saves 44k**
Delay house to year 15	its cost falls 178k to 145k	**saves 33k**
Or save for 10 years at 4%	71.6k ÷ 8.1109	**8.8k a year**
Proposal	delay house, save 4.8k a year	**gap closed**

IN THE LESSON

- Now suppose the Ashbys had only nine hundred and fifty thousand.
- The goals still cost one million and twenty two thousand, so the shortfall is seventy two thousand.
- Marta can offer choices.
- She could trim the lake house to three hundred thousand, which saves forty four thousand.
- She could delay it to year fifteen, which saves thirty three thousand.
- Or the family could save for ten years, earning four per cent.
- Dividing the gap by the ten year annuity factor of eight point one one zero nine gives eight point eight thousand a year.
- Her proposal is to delay the house and save four point eight thousand a year.
- Taking more risk is possible too, but never on the essential goal.

8 Example 3: the trap of one rate for everything

Every goal discounted at the portfolio's 6%

Income	721k at 2%; 321k at 6%	**400k too low**
Fees	123k at 4%; 112k at 6%	**11k too low**
Lake house	178k at 7%; 199k at 6%	**21k too high**
Total cost	1,022k against 632k	**390k too low**
Apparent surplus	568k against true 178k	**390k too high**

IN THE LESSON

- Here is the classic exam trap.
- Suppose Marta discounted every goal at the portfolio's expected return of six per cent.
- The income stream would then cost only three hundred and twenty one thousand, not seven hundred and twenty one.
- That is four hundred thousand too low.
- The fees look cheaper by eleven thousand, and the lake house dearer by twenty one thousand.
- The total falls to six hundred and thirty two thousand, so the family would believe they had a surplus of five hundred and sixty eight thousand, when the true surplus is one hundred and seventy eight thousand.
- They might spend money that their retirement income quietly depends on.
- Always match each rate to its goal.

9 A story: the family as one business

- Daniel's pay is the family's biggest asset
- Death, illness or job loss could end it
- Savings in his employer's shares add to that risk
- Keep, reduce or transfer each risk, with reasons

IN THE LESSON

- Think of the Ashbys as a small business with one big asset: Daniel's pay.
- If he were killed or too ill to work, the lake house would be the least of their worries.
- Now add that nearly a third of their savings is in shares of his own employer.
- If Brightwell Systems ran into trouble, his job and those shares could fall together.
- Each risk looks manageable alone, but the family meets them all at once, on the same balance sheet.
- That is why Marta looks at the family as a whole.
- For each risk she decides whether to keep it, reduce it, or pass it to an insurer, and she can defend each choice.

10 The family's economic balance sheet

Assets against what they must pay for

Assets	Liabilities and claims
Human capital: pay still to come	Lifetime spending
Pension rights	Children's education
Financial assets	Mortgage and other debts
Home	Bequests and gifts

IN THE LESSON

- Marta draws an economic balance sheet, which is a fuller picture than a bank statement.
- On the left are the assets.
- Human capital is the present value of the pay the family will still earn.
- Pension rights are future retirement income already promised.
- Financial assets are the savings and investments, and the home counts too.
- On the right are the claims the assets must meet: lifetime spending, the children's education, the mortgage and other debts, and any wish to leave money to others.
- Risks matter when they threaten something on this sheet.
- Over a life, human capital is slowly converted into financial capital, and the balance of risks shifts with it.

11 Where the Ashbys' wealth sits

Value (thousands)

Human capital	**2,400**
Pension rights	**400**
Other savings	**840**
Employer shares	**360**
Home equity	**300**

Total 4,300k: human capital 56%. Shares 360k of 1,200k financial = 30%

IN THE LESSON

- Here are the Ashbys' assets as bars, in thousands.
- Human capital is the giant, at two thousand four hundred.
- Pension rights are four hundred.
- Financial assets other than employer shares are eight hundred and forty, and the employer shares are three hundred and sixty.
- Home equity, after the mortgage, is three hundred.
- Add them and the family owns four thousand three hundred in total, so human capital is fifty six per cent of everything.
- The three hundred and sixty thousand of employer shares is thirty per cent of the one million two hundred thousand of financial assets.
- The family's biggest asset and a big slice of its savings depend on the same company.
- That is the concentration Marta must deal with.

12 Risks and the usual methods

Risk and the usual method

Risk	Usual method
Early death	Term life insurance
Disability, illness	Disability and health cover
Living too long	Annuity for lifetime income
Property, liability	Property and liability cover

IN THE LESSON

- Now the toolkit.
- Early death is usually met with term life insurance, which pays a lump sum if the earner dies.
- Disability and serious illness call for disability and health cover, because losing the ability to earn is often worse than death for a family that is still alive.
- Longevity is the risk of outliving the money, and the usual answer is an annuity, which turns capital into an income for life.
- Property and liability risks go to property and liability insurance.
- Market risk and the risk of losing a job are handled differently, with an emergency reserve and an asset allocation that reflects whether human capital behaves like a bond or like a share.

13 Example 4: sizing Daniel's life cover

Pay 90,000; 60% replaced for 15 years; rate 3%

Income to replace	60% × 90,000	**54,000 a year**
Value of 15 years	54,000 × 11.9379	**645k**
Add the mortgage	645k + 200k	**845k**
Less cover at work, 180k	845k − 180k	**665k**

IN THE LESSON

- Let us size the life cover for Daniel.
- He earns ninety thousand a year, and Marta estimates that the family would need sixty per cent of that, fifty four thousand a year, replaced for fifteen years.
- At three per cent the fifteen year annuity factor is eleven point nine three seven nine, so the need is worth about six hundred and forty five thousand.
- The family would also want the mortgage cleared, which adds two hundred thousand, giving eight hundred and forty five thousand.
- Daniel's employer already provides one hundred and eighty thousand of cover, so the cover to buy is six hundred and sixty five thousand.
- The principle is to insure the loss the family could not absorb, and no more.

14 Example 5: keep, reduce or transfer

Severity and frequency decide the answer

Early death	rare but severe	**Transfer**
Disability	rare but severe	**Transfer**
Small repairs	frequent but small	**Retain: reserve**
Employer shares	360k ÷ 1,200k = 30%	**Reduce**
After a sell-down to 120k	120k ÷ 1,200k = 10%	**Target**

IN THE LESSON

- Marta now justifies a choice for each risk, using two tests: how severe it would be, and how often it happens.
- Early death and disability are rare but severe, so she transfers them to an insurer.
- Small repairs and minor losses are frequent but small, so the family keeps them and pays from an emergency reserve, which is cheaper than insuring every scratch.
- The employer shares are the risk to reduce.
- They are thirty per cent of the financial assets, and they could fall just when Daniel's job is at risk.
- Marta proposes selling down to one hundred and twenty thousand, which is ten per cent.
- Daniel's pay is steady, like a bond, so the family can hold diversified shares elsewhere.

15 Working life into retirement

Main risk and answer by stage

Stage	Main risk and answer
Early career	Pay at risk: cover, reserve, shares
Mid career	Children, debt: life and disability cover
Near retirement	Market fall: steadier mix, plan pension
Retirement	Longevity, care: annuity, care cover

IN THE LESSON

- The mix of risks changes as the family ages.
- Early in a career, pay is the main asset and it is exposed, so the answer is insurance, an emergency reserve, and a willingness to hold shares in the portfolio.
- In mid career the children and the mortgage make life and disability cover the priority.
- Near retirement, human capital has run down, so a market fall can no longer be repaired from future pay, and the portfolio is made steadier while the family plans how the pension will be taken.
- In retirement the main worries are longevity and care costs, which call for annuity income and long term care cover.
- Marta reviews all this regularly, not once.

16 A story: the leaky bucket

- Goals are paid for with after-tax money
- Tax can hit income, gains, wealth or transfers
- It can be paid yearly, deferred or exempted
- Plan after tax; compare strategies after tax

IN THE LESSON

- Picture the Ashbys' savings as a bucket of water with small leaks.
- Every year a little drips out as tax.
- The family will spend the water that is left, so the plan must be judged after tax.
- Tax typically falls on income, on gains, on wealth, or on money passed to others, though the rules depend on the jurisdiction.
- It may be paid every year, put off until a sale, or exempted altogether, depending on the account and the asset.
- Marta uses general principles and never gives tax advice.
- Her job is to see how much each leak costs each pot, and where the leaks can be slowed.

17 Growth when tax is paid every year

Growth of 1 = (1 + r × (1 − t))^n

Pre-tax return	Pre-tax return each year
Tax rate	Tax rate, paid every year
Years to the goal	Years invested

IN THE LESSON

- Here is the first tax formula.
- Suppose the investment earns a return each year and the tax on that return is paid at once, every year.
- Then only the part left after tax is reinvested.
- Take the pre tax return and multiply by one minus the tax rate, to get the after tax return.
- Add one, and raise it to the number of years.
- The result is how much one unit grows to.
- Because tax is taken every year, the part taken stops compounding.
- This is called tax drag.
- The more often a portfolio realises its gains, such as through high turnover or interest income, the heavier the drag.

18 Growth when tax is paid once at the end

Growth of 1 = (1 + r)^n × (1 − t) + t

Pre-tax return	Pre-tax return each year
Tax rate	Tax rate, paid once at the end
Years to the goal	Years invested

IN THE LESSON

- The second formula covers deferral.
- Now the return compounds untaxed, and tax is paid once, when the investment is sold.
- Raise one plus the return to the number of years, to find the gross growth.
- Tax falls only on the gain, not on the original unit.
- So multiply by one minus the tax rate, and then add back the tax rate, which is the part of the original unit that is not taxed.
- Because the money compounds untaxed for years, this always ends at least as high as paying every year, at the same return and tax rate.
- Deferral is valuable because tax paid later leaves more money working in the meantime.

19 Example 6: twenty years, two ways to pay tax

200,000 at 6% for 20 years, tax 30%; yearly net 4.2%

Taxed every year	1.042^20 = 2.277	**455k**
Taxed once at the end	1.06^20 × 0.7 + 0.3 = 2.545	**509k**
No tax at all	1.06^20 = 3.207	**641k**
Gain from deferring	509k − 455k	**54k**

IN THE LESSON

- Marta tests a pot of two hundred thousand.
- It earns six per cent a year for twenty years, with tax at thirty per cent.
- If tax is paid every year, the return after tax is four point two per cent, and one unit grows to two point two seven seven.
- If the whole gain is taxed once at the end, one unit grows to one point oh six to the twentieth, times point seven, plus point three, which is two point five four five.
- On two hundred thousand that is four hundred and fifty five thousand against five hundred and nine thousand.
- With no tax at all it would be six hundred and forty one thousand.
- Deferral is worth fifty four thousand here.

20 The drag compounds

Chart: Growth of 1 invested vs Years invested (20)

- No tax: 3.207
- Taxed once at the end: 2.545
- Taxed every year: 2.277

IN THE LESSON

- Here is that example as a picture.
- Years invested run along the bottom, from zero to twenty.
- The side shows how much one unit has grown to.
- All three lines start together at one.
- The red line, with no tax, climbs fastest and reaches three point two oh seven.
- The green line is the deferred case, valued after tax if sold, and it ends at two point five four five.
- The blue line is tax paid every year, and it ends lowest, at two point two seven seven.
- The gap between the lines opens slowly at first and then widens, because lost growth is itself lost growth.
- That compounding is why tax drag is worth planning for from the very start.

21 Example 7: tax changes what a goal costs

Fees 150,000 in year 5; interest 4% before tax, tax 30%

After-tax return	4% × (1 − 0.30)	**2.8%**
Cost today at 4%	150,000 ÷ 1.04^5	**123,289**
Cost today at 2.8%	150,000 ÷ 1.028^5	**130,655**
Extra to set aside	130,655 − 123,289	**7,366**
Possible fix	shelter the pot	**depends on rules**

IN THE LESSON

- In the first example, Marta used after tax rates.
- Suppose instead the four per cent for the fees pot was a before tax interest rate in a taxable account, taxed at thirty per cent.
- The pot would really earn four times point seven, which is two point eight per cent.
- Discounting the one hundred and fifty thousand of fees for five years at four per cent cost one hundred and twenty three thousand, two hundred and eighty nine.
- At two point eight per cent it costs one hundred and thirty thousand, six hundred and fifty five.
- The family must set aside seven thousand, three hundred and sixty six more.
- A shelter for the pot, where the rules allow one, might remove that extra cost.

22 What Marta checks in the plan

Check, and the proposal she could make

Check	Proposal she could make
Tax drag by pot	Compare each pot after tax
Which account	Taxed assets in sheltered accounts
When gains arise	Realise gains on purpose; use losses
Where they live	Rules depend on residence

IN THE LESSON

- To assess a plan, Marta checks four things.
- First, the tax drag on each pot, by comparing every pot before and after tax.
- Second, which account holds which asset.
- Typically a family would hold heavily taxed assets, such as interest paying bonds, in tax advantaged accounts, and low turnover equity funds in taxable ones.
- Third, when gains arise.
- She prefers to realise gains deliberately, in a low tax year, and to use losses to offset gains.
- Fourth, where the family lives, since rates and rules depend on residence, and a move can change the answer.
- These are proposals to discuss, and the family should take specialist tax and legal advice.

23 Mistakes to avoid so far

- Discounting every goal at the portfolio's return
- Treating essential needs and wishes alike
- Managing each risk alone, such as employer shares
- Comparing strategies before tax
- Forgetting that deferral only postpones tax

IN THE LESSON

- Let us collect the common mistakes so far.
- One: discounting every goal at the portfolio's expected return, which understates the capital needed and leaves essential goals underfunded.
- Two: treating all goals as equally important, when an essential need and a wish deserve different pots and different risk.
- Three: managing each risk alone, for example holding the employer's shares as if the job were not on the same balance sheet.
- Four: comparing strategies on pre tax returns, when the family spends after tax money.
- Five: forgetting that deferral postpones tax rather than removing it, so it still has to be planned for.

24 A story: rich but short of cash

- Spending 95,000 a year; tax bill 18,000 next year
- Private fund: 100,000 promised, 40,000 called next year
- Needs first, then sources of cash
- Tax, calls and a market fall can arrive together

IN THE LESSON

- A family can be wealthy and still run short of cash at the wrong moment.
- The Ashbys spend ninety five thousand a year and expect a tax bill of eighteen thousand.
- They also promised a private fund one hundred thousand, to be paid when the manager calls for it, and forty thousand is due next year.
- Money that has been promised but not yet paid can look like spare wealth, but it is not.
- Liquidity planning starts from what must be paid and when, and only then asks where the money will come from.
- A tax bill, a capital call and a market fall can all land in the same year.

25 Needs first, then sources

Find the needs

Spending, reserve → Taxes and gifts → Private-fund calls

Map the sources

Cash, short-term → Portfolio, income → Credit, planned sales

IN THE LESSON

- Here is the order of work.
- The top row finds the needs.
- Ongoing spending and an emergency reserve come first, so that a job loss or a repair does not force a sale.
- Taxes and gifts come next.
- Then the calls from private funds, which are easy to forget and can arrive after other assets have fallen.
- The bottom row maps the sources.
- The cheapest and surest is cash and short term instruments.
- Next is the liquid portfolio, together with the family's income.
- The last box holds committed credit lines, borrowing against securities, and planned sales of assets.
- Those are useful, but they are the least certain in a crisis.

26 Example 8: building the time buckets

Spend 95,000; reserve 6 months; pot 1,200k

Cash bucket	47.5k + 18k + 40k	**105.5k**
Medium bucket, bonds	150k fees + 60k calls	**210k**
Long-term bucket	1,200k − 105.5k − 210k	**884.5k**
Credit line, 250k	not counted	**backup only**

IN THE LESSON

- A common approach is to segment the pot by time.
- Marta builds the Ashbys' buckets from the needs.
- The cash bucket covers the near term.
- It holds an emergency reserve of six months of spending, forty seven thousand five hundred, plus the eighteen thousand of tax and the forty thousand of calls due next year, which makes one hundred and five thousand five hundred.
- The medium bucket sits in bonds.
- It holds the fees of one hundred and fifty thousand and the sixty thousand of calls still to come, two hundred and ten thousand.
- The rest, eight hundred and eighty four thousand five hundred, goes into long term growth assets.
- The credit line is not counted as part of the plan.

27 How the pot is segmented

Today's money (thousands)

Cash bucket	**105.5**
Medium bucket	**210**
Long-term bucket	**884.5**
Credit line	**250**

Credit line not counted

IN THE LESSON

- Here are the buckets as bars, in thousands of today's money.
- The first bar is cash, at one hundred and five point five.
- It is small, but it is what stands between the family and a forced sale.
- The second is the medium bucket of bonds, at two hundred and ten, which is there when the fees and later calls arrive.
- The third is the long term bucket, at eight hundred and eighty four point five, which is invested for growth and does not need to be sold in a hurry.
- The grey bar is the credit line, at two hundred and fifty.
- It is drawn grey because it is not part of the plan.
- A lender can shrink a line just when the family most needs it.

28 Example 9: borrow or sell?

Need 100k: sell (cost 40k) or borrow on 250k of shares

Tax if sold	(100k − 40k) × 20%	**12k**
Interest if borrowed	100k × 5%	**5k a year**
Loan to value	100k ÷ 250k	**40%**
Lender's limit 50%	100k ÷ 50% = 200k	**20% fall**
Verdict	bridge, not reserve	**use with care**

IN THE LESSON

- Suppose a surprise bill needs one hundred thousand in cash.
- The Ashbys hold two hundred and fifty thousand of shares, and the part to be sold cost forty thousand.
- Selling realises a gain of sixty thousand, taxed at twenty per cent, so twelve thousand of tax.
- Borrowing against the shares avoids that tax today and costs five per cent, which is five thousand a year in interest.
- But it brings margin risk.
- The loan is forty per cent of the shares.
- If the lender allows loans up to fifty per cent, a fall of twenty per cent in the shares, to two hundred thousand, triggers a call.
- Marta's verdict: borrowing is a bridge, to be used with care, and not the reserve.

29 Recap: the lesson in five lines

- Rank goals; cost each at a matched rate; one pot each
- Manage risks together; retain, reduce or transfer
- Judge plans after tax; deferral helps
- Liquidity: needs first, then sources, in buckets
- Count capital calls; treat credit as a backup

IN THE LESSON

- Let us pull the lesson together.
- First, a goal based plan ranks the goals, costs each one at a rate matched to the chance of success it needs, funds each from its own pot, and shows a surplus or a shortfall.
- Second, the family's risks are managed together on the economic balance sheet, and each is retained, reduced or transferred, with reasons.
- Third, plans are judged after tax, because tax drag compounds and deferral is valuable.
- Fourth, liquidity comes from listing needs first, then sources, with cash, bonds and growth assets in buckets.
- Fifth, never count promised capital calls as spare, and never rely on credit that may shrink.

30 Try three quick questions

1. Fees 500,000 in 8 years, matched rate 5%. Cost today?
   Answer: 500,000 ÷ 1.05^8 ≈ 338,420.
2. Return 8%, tax 25%, 10 years. Tax yearly or once at the end?
   Answer: Yearly 1.791; once at the end 1.869. Deferral wins.
3. Is a credit line part of the emergency reserve?
   Answer: No. A lender can cut it in a crisis; it is a backup.

IN THE LESSON

- Now try three quick questions yourself.
- Pause after each one.
- Question one.
- Fees of five hundred thousand are due in eight years, and the matched rate is five per cent.
- What does the goal cost today?
- Five hundred thousand divided by one point oh five to the eighth is about three hundred and thirty eight thousand, four hundred and twenty.
- Question two.
- A return of eight per cent is taxed at twenty five per cent for ten years.
- Does tax every year or tax once at the end leave more, per unit?
- Tax every year gives one point seven nine one.
- Tax once at the end gives one point eight six nine, which is higher.
- Question three.
- Can a committed credit line count as part of the emergency reserve?
- No, because a lender can cut it in a crisis, so it is a backup only.
- Remember the plain rule.